

NSC BRIEFING

10 JANUARY 1956

AUSTRIA-SOVIET LOAN ISSUE

- I. Austria's coalition government faces an impasse and there is a strong possibility that coalition partners--People's Party and Socialist Party--may agree to disagree and carry the issues to the polls this spring (six months ahead of schedule).
 - A. Impasse exists over two major economic issues:
 1. Disposition of former Soviet-held industries.
 2. Disagreement over acceptance of proffered Soviet loan.
 - B. Socialists want to see former Soviet plants, and including Austria's oil industry, nationalized, while People's Party wants to turn some holdings over to private interests.
- II. Even more crucial is division on acceptance of USSR's tentative offer (in Oct '55) of a \$30 million rehabilitation loan to government of Lower Austria (dominate by People's Party).
 - A. For some weeks, People's Party kept news of loan offer secret from Socialists, who were naturally suspicious when they learned facts.
 - B. Chancellor Raab and People's Party generally favor loan because:
 1. It would relieve Federal Government of part its burden economic aid for depressed Lower Austria (formerly part of Soviet Zone).

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2. Loan, which is to be in schillings, would reduce danger of Soviet manipulation its large schilling holdings to Austria's disadvantage.

C. Socialists are opposed to Soviet loan because:

1. They suspect People's Party will use it to establish private oil industry.
2. They fear it opens way for Soviet economic penetration.

III. Thusfar, loan offer is up in air because Chancellor Raab has been unable to get required federal guarantee of loan.

A. However, Soviets may choose to waive this requirement.